

Alert | International Trade



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NAFTA's Seventh Round Concludes on March 6, Overshadowed by New Steel and Aluminum Tariffs

On March 6, 2018, representatives from the United States, Canada, and Mexico wrapped up the seventh round of the ongoing renegotiations of the North American Free Trade Agreement (NAFTA) in Mexico City. As discussed in our [prior GT Alert](#), the negotiations have been ongoing since August 2017, but many important proposals remain largely unaddressed. As in the past six rounds, some additional progress was made during this latest round, but several key issues must still be resolved before an agreement can be reached. Negotiations during the Seventh Round were further complicated by President Trump's announcement last week imposing tariffs on imports of steel and aluminum into the United States. Although Canada and Mexico have been excluded from the tariffs for now, the possibility of imposing these tariffs at some future time will likely play a continuing role in the NAFTA negotiations.

New Areas of Agreement and Issues Left Unaddressed

In Mexico City the parties were able to complete three additional chapters:

- 1) Regulatory Best Practices, which focuses on transparency and creates a committee to promote cooperation;
- 2) Administration and Publication, which establishes requirements for agreement-related procedures in the three countries; and

3) Sanitary and Phytosanitary Measures, which addresses standards for food safety, animal and plant health, and border inspections, all of which are important to agricultural trade.

While precise details of these chapters are not yet publicly available, the chapters are expected to be similar to, and build upon, some similar measures contained in the original Trans-Pacific Partnership (TPP). The conclusion of these chapters in general reflects the parties' shared interest in continuing the discussions and reaching consensus when possible. Ultimately, however, at the close of the Seventh Round, only six of the thirty NAFTA chapters have been completed.

This means that some of the most contentious issues – including automotive rules of origin, government procurement, provisions for seasonal and perishable goods, dispute settlement, and a five-year sunset period – remain to be resolved. Prior to the beginning of the Seventh Round, it seemed likely that the regional automotive rules of origin proposals would be discussed at length. However, as one of the United States' key negotiators on the subject returned to Washington in the middle of the round to meet with the U.S. auto industry, no progress was reported on the issue. Further, there have been no reports of meaningful progress on any of the other key negotiating points.

Section 232 Tariffs

In the middle of the Seventh Round, on March 1, President Trump announced a decision to impose tariffs on steel and aluminum under authority given to the president to protect U.S. national security interests. (For an in-depth discussion of the tariff action, our GT Alert on the topic is available [here](#).) The new measures impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports. Although the tariffs are not directly related to the NAFTA discussions, this tariffs decision reportedly may have sparked discussion and tension among the negotiators in Mexico City. Both Canada and Mexico are large exporters of metal to the United States: Canada is the number one exporter of both steel and aluminum, while Mexico is the fourth largest steel exporter. In addition, the two largest markets for exports of steel from the United States are Canada and Mexico.

When President Trump initially announced his intent to impose tariffs on steel and aluminum under Section 232, no countries were excluded from the tariffs. Representatives from both Canada and Mexico reacted critically to this news and in the week following the announcement, representatives from both countries pointed out that their history as military allies should mitigate the national security concerns relied on in imposing the tariffs, and made clear that they consider the NAFTA negotiations to be separate from the tariff issues.

The Administration's position on the subject was confirmed in President Trump's March 8 [Proclamation on Adjusting Imports of Steel into the United States](#), which exempts Canada and Mexico from the tariffs but notes that the future of these critical U.S. industries is dependent on "satisfactory outcomes in ongoing negotiations with Canada and Mexico."

Looking to the Future

In summarizing this latest round of negotiations, U.S. Trade Representative Lighthizer stated in his [closing statement](#) that the parties had "not made the progress many had hoped in this round." He also warned that upcoming elections in all three NAFTA countries would complicate the negotiations unless the parties move quickly.

Specifically, Mexico's presidential elections in July and the U.S. midterm elections in November mean that the political dynamic in both countries, and therefore, the acceptance of new compromises struck during these negotiations could change drastically in the coming year. As USTR Lighthizer noted in his closing remarks, U.S. law requires a lengthy Congressional approval process, which means the parties only have one to two months left to strike a deal that could be considered by the current Congress. Moreover, certain Canadian provincial elections are taking place in late 2018. Given that it is unlikely NAFTA will be completed within the short term, it is likely to become a ballot issue in all three countries.

Despite the conflicting views on the U.S. tariffs and looming deadlines, the parties have expressed a commitment to continued talks and working with stakeholders in their respective countries to come to a compromise. An eighth round of negotiations is scheduled to take place in early April in Washington, D.C.

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Greenberg Traurig's **International Trade Group** provides continual consultation and advice to clients on expanding trade opportunities and the impact of U.S. governmental action on global trade.

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